



Schedule K-1-P(4) Instructions

Instructions for Investment Partnerships Completing Schedule K-1-P(4)

General Information

What is the purpose of Schedule K-1-P(4)?

The purpose of Schedule K-1-P(4), Investment Partnership Withholding Calculation for Nonresident Partners, is to calculate the required withholding that investment partnerships must report and pay on behalf of their nonresident partners.

You are required to report and pay investment partnership withholding on behalf of your nonresident partners if

- you are an investment partnership as defined in the Illinois Income Tax Act (IITA), Section 1501(a)(11.5), and
- you have business or nonbusiness income from other partnerships that is distributable to nonresident partners.

You **must** complete a Schedule K-1-P(4) for each nonresident partner unless that partner is

- exempt from tax under Internal Revenue Code (IRC) Section 501(a) or IITA Section 205, or
- a retired partner whose distributions are exempt from tax under IITA Section 203(a)(2)(F).

Note: Form IL-1000-E, Certificate of Exemption for Pass-through Withholding, will not exempt an investment partnership from investment partnership withholding.

The investment partnership withholding amount calculated on the Schedule K-1-P(4) will be reported to each applicable partner on the Schedule K-1-P you issue to them. Use Schedule K-1-P, Step 7, Line 55, Pass-through withholding, to report each partner's share of investment partnership withholding. Additionally, all investment partnership withholding amounts calculated from each Schedule K-1-P(4) you complete will be entered on the corresponding partner's Schedule B, Section B, Line J, carried to the applicable line of Schedule B, Section A, Lines 4a through 4e, and added to the total to be entered on Schedule B, Section A, Line 5. The amount from Schedule B, Section A, Line 5 will be entered on Form IL-1065, Step 8, Line 59b.

For Illinois Income Tax purposes, you **must** complete Schedule K-1-P(4) to calculate the amount of investment partnership withholding for each of your applicable partners **and** keep the schedule with your income tax records. **Do not submit Schedule K-1-P(4) with your income tax return.** You must send us your Schedule(s) K-1-P(4) if we request it.

Do not issue any Schedule K-1-P(4) to your partners. Likewise, do not attach to your Form IL-1065 any Schedule K-1-P that you complete and issue to your partners. However, you must keep a copy of each Schedule K-1-P and Schedule K-1-P(4) available for inspection by our authorized agents and employees.

Note Attach any Schedule K-1-P issued to you by another partnership to your Form IL-1065, as described in Schedule K-1-P(2).

For more information about investment partnership withholding, see 86 Ill. Admin. Code Section 100.7034.

If I make the election to report and pay pass-through entity (PTE) tax, does that exempt me from withholding for my nonresident partners?

Investment partnerships are still required to withhold for their nonresident partners regardless if the election to pay PTE tax is made or not. Investment partnerships that elect to pay PTE tax will reduce their PTE income by the amount of income used to calculate the investment partnership withholding. See the PTE Income Worksheet in the Form IL-1065 instructions.

Can I use pass-through entity (PTE) tax credit to offset my investment partnership withholding requirement?

Yes. Although regular partnerships are required to distribute PTE tax credit that it has received to its partners rather than use it to offset their liabilities, an investment partnership may use PTE tax credit to offset its investment partnership withholding requirement. Complete a Schedule K-1-P(4) for each of your nonresident partners indicating the amount of PTE tax credit (Schedule K-1-P(4), Step 4, Line 12) that will be used to offset that partner's withholding amount. The Schedule K-1-P(4), Line 12 amount may not exceed the amount of investment partnership withholding before credits.

In addition, the total of all Schedule K-1-P(4), Line 12 amounts, may not exceed the amount of PTE tax credit distributed to you from other entities. See Schedule K-1-P(2) for more information.

Note You may not use PTE tax credit to offset PTE tax liability. Any additional PTE tax credit that has been distributed to you beyond the amount of your investment partnership withholding liability must be distributed to your partners.

Can I use pass-through withholding credit to offset my investment partnership withholding?

You may use pass-through withholding credit to offset your investment partnership withholding requirement. Once you have completed a Schedule K-1-P(4) for each of your nonresident partners, completed all applicable lines of Illinois Schedule B, and entered the total investment partnership withholding amount on your Form IL-1065, Step 8, Line 59b, enter the amount of pass-through withholding credit you received (as reported to you on Schedule(s) K-1-P or K-1-T) on Form IL-1065, Step 9, Line 65c.

How do I determine what amount of my income is subject to investment partnership withholding?

Investment partnership withholding is calculated based on income amounts in column B of any Schedule K-1-P you receive that are marked as partnerships in Step 1, Line 1. Your nonresident partners' shares of the amounts from Schedule K-1-P, Step 3, Column B, Lines 12 through 17 plus Line 19, are used to calculate the nonbusiness income allocable to Illinois that will be entered on Schedule K-1-P(4), Step 3, Line 7.

Your nonresident partners' shares of the amounts from Schedule K-1-P, Step 4, Column B, Lines 20 through 27 and Lines 29 through 31, are used to calculate the business income apportionable to Illinois that will be entered on Schedule K-1-P(4), Step 3, Line 6.

Note If the partnership that has distributed you income is an investment partnership, Schedule K-1-P, Column B, should be blank. Calculate how much of the income on the Schedule K-1-P is business income and, if applicable, calculate its apportionment by completing a pro-forma Form IL-1065 as instructed in Schedule K-1-P(2). The partner's share of the apportioned business income will be entered on Line 6.

Should I round?

You must round the dollar amounts on Schedule K-1-P(4) to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What if I need additional assistance or forms?

- For assistance, forms, or schedules, visit our website at tax.illinois.gov or scan the QR code provided.
- Write us at:
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19001
SPRINGFIELD IL 62794-9001
- Call **1 800 732-8866** or **217 782-3336** (TTY at **1 800 544-5304**).
- Visit a taxpayer assistance office - 8:00 a.m. to 5:00 p.m. (Springfield office) and 8:30 a.m. to 5:00 p.m. (all other offices), Monday through Friday.



K-1-P(4) Step-by-Step Instructions

Read this information first:

- Investment partnerships complete Schedule K-1-P(4) instead of Schedule K-1-P(3) for their nonresident partners.
- You **must** complete Schedule K-1-P(4) for each of your nonresident partners, unless a nonresident partner is:
 - exempt from tax under IRC Section 501(a) or IITA Section 205, or
 - a retired partner whose distributions are exempt from tax under IITA Section 203(a)(2)(F).
- **Do not** complete Schedule K-1-P(4) for any partner who is a resident.
- You must complete Schedule K-1-P(4) for each partner that is a partnership or S corporation.
- You **must** keep Schedule K-1-P(4) with your income tax records.
- **Do not** send Schedule K-1-P(4) to your partners or submit it to the Illinois Department of Revenue (IDOR) unless we request it from you.

Note: See "What is a resident?" and "What is a nonresident?" in Schedule K-1-P(1), Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3), for help determining if your partner is a resident or nonresident. For the purpose of this schedule, treat all partnerships and S corporations as nonresident partners.

Complete all lines (as applicable) of Schedule K-1-P except Step 7, Lines 52a through 52x, Lines 53a and 53b, and Line 55, before completing this schedule.

Enter your tax year ending in the space provided on the front of the Schedule K-1-P(4).

Step 1 — Identify your investment partnership

Line 1 - Enter the name of your partnership as shown on your Form IL-1065.

Line 2 - Enter your entire federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 2 blank. If you leave this line blank or provide partial information and we request that you submit this schedule, you may be contacted for further information.

Step 2 — Identify your nonresident partner

Line 3 - Enter the name of the nonresident partner for whom you are reporting investment partnership withholding.

Line 4 - Enter the entire Social Security number or FEIN of the nonresident partner.

Line 5 - Check the appropriate box to identify this nonresident partner as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this partner is a grantor trust or other disregarded entity, check the box on this schedule that corresponds to the tax type of the grantor or owner and treat it as that type of taxpayer for the purposes of completing this schedule.

Step 3 — Figure your nonresident partner's investment partnership withholding before credits

Line 6 - Enter the partner's share of Illinois apportioned business income from other partnerships under IITA Section 305(a). Illinois apportioned business income is typically reported to you on Schedule K-1-P, Step 4, Column B, Lines 20 through 27 and Lines 29 through 31. If you received income from another partnership but did not receive a Schedule K-1-P, you must calculate the partner's share as if the amounts were reported on Schedule K-1-P, Step 4.

If you received income from other investment partnerships, you must calculate how much of the income received on the Schedule(s) K-1-P is considered business income and, if applicable, calculate its apportionment by completing a pro-forma Form IL-1065 as instructed in Schedule K-1-P(2). Use the apportioned business income calculated to determine the partner's share.

Line 7 - Enter the partner's share of Illinois allocated nonbusiness income from other partnerships under IITA Sections 305(b) and 303 (other than nonbusiness income that is allocated based on commercial domicile). Illinois allocated nonbusiness income is typically reported to you on Schedule(s) K-1-P, Step 3, Column B, Lines 12 through 17 and 19. If you received income from another partnership but did not receive a Schedule K-1-P, you must calculate the partner's share as if the amounts were reported on Schedule K-1-P, Step 3.

Line 8 - Follow the instructions on the schedule.

Line 9 - Multiply Line 8 by the applicable rate.

- If the partnership, S corporation, individual, or estate checkbox was selected on Step 2, Line 5, multiply Line 8 by 4.95% (.0495) and enter the result.
- If the trust checkbox was selected on Step 2, Line 5, multiply Line 8 by 6.45% (.0645) and enter the result.
- If the corporation checkbox was selected on Step 2, Line 5, multiply Line 8 by 9.5% (.095) and enter the result.

Step 4 — Figure your nonresident partner's investment partnership withholding

The sum of the credit amounts entered on Lines 10 through 12 cannot be greater than the investment partnership withholding before credits amount on Line 9 of this schedule. Any excess credits must be distributed to your partners. See the "Completing Schedule K-1-P with information from Schedule K-1-P(4)" section below for more information.

You may only use tax credits passed through in this reporting period to offset the investment partnership withholding liability. Credit carry forward amounts may not be used to reduce investment partnership withholding.

Note: Credits are distributed to partners in accordance with IRC Section 704 and the partnership agreement. Each partner is entitled to only their distributive share of credits when offsetting their investment partnership withholding liability.

Line 10 - Enter the total amount of Illinois income tax credits that is being used to offset this partner's investment partnership withholding. This amount would be the partner's share of any income tax credits distributed to you on Schedule(s) K-1-P, Step 7, Lines 52a through 52x.

Line 11 - Enter the total amount of Illinois replacement tax investment credits that is being used to offset this partner's investment partnership withholding. This amount would be the partner's share of any replacement tax investment credits distributed to you on Schedule(s) K-1-P, Step 7, Line 53b.

Line 12 - Enter the total amount of pass-through entity (PTE) tax credit that is being used to offset this partner's investment partnership withholding. This amount would be the partner's share of any PTE tax credits distributed to you on Schedule(s) K-1-P, Step 7, Line 53a and Schedule(s) K-1-T, Step 7, Line 50.

Line 13 - Follow the instructions on the schedule.

Line 14 - Follow the instructions on the schedule. The amount on this line cannot be negative. Enter this amount on Line 55 of this partner's Schedule K-1-P. In addition, this amount will be entered on the corresponding partner's Schedule B, Section B, Line J, carried to the applicable line of Schedule B, Section A, Lines 4a through 4e, and added to the total to be entered on Schedule B, Section A, Line 5. The amount from Schedule B, Section A, Line 5 will be entered on your Form IL-1065, Step 8, Line 59b. See Form IL-1065 instructions for more information.

Completing Schedule K-1-P with information from Schedule K-1-P(4)

Investment partnerships must complete Schedule K-1-P for each of its partners.

Steps 1 through 6

Complete Schedule K-1-P, Steps 1 through 6, prior to completing Schedule K-1-P(4). See the Schedule K-1-P(1), Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3), for information on completing the majority of Schedule K-1-P for your partners. Investment partnerships should complete only Column A of Schedule(s) K-1-P, Steps 3 through 6.

Step 7

Lines 52a through 52x - Enter the partner's distributable shares of income tax credit on each line as instructed in Schedule K-1-P(1) less any amount associated with the same income tax credit used on this partner's Schedule K-1-P(4), Step 4, Line 10.

Line 53a - Enter the partner's distributable share of PTE tax credit as instructed in Schedule K-1-P(1) less the amount, if applicable, reported on this partner's Schedule K-1-P(4), Step 4, Line 12.

Line 53b - Enter the partner's distributable share of replacement tax investment credit distributed to you on your Schedule K-1-P, Step 7, Line 53b, less the amount, if applicable, reported on this partner's Schedule K-1-P(4), Step 4, Line 11.

Lines 54a through 54d - Complete these lines prior to completing Schedule K-1-P(4). See the Schedule K-1-P(1) for information on completing these lines.

Line 55 - Enter the amount from Schedule K-1-P(4), Step 4, Line 14, for this partner.

Note: Pass-through withholding credits distributed to you cannot be passed through to your partners. You must claim the pass-through withholding distributed to you on Form IL-1065, Step 9, Line 65c.

Lines 56 and 57 - Complete these lines prior to completing Schedule K-1-P(4). See the Schedule K-1-P(1) for information on completing these lines.